

LENDERS TAILOR AUTO LOANS TO MEET NEEDS OF TODAY'S BORROWERS

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Body

Sunday, January 28, 1996 LENDERS TAILOR AUTO LOANS TO MEET NEEDS OF TODAY'S BORROWERS

To see an incredible variety of new cars and trucks, visit the Portland International Auto Show. To see an incredible variety of ways to finance those dream machines, visit your friendly loan officer.

These days, auto loans can be tailored to suit the needs and desires of almost any borrower. Of course, a purchase can always be financed through a dealer, and dealers have a variety of loan packages available. Private lenders, too, are matching financing packages to meet almost any situation. Here are just some options: - The traditional three- or four-year loan repayment schedule can be stretched to 72 or even 84 months for some models, which makes the monthly payment more affordable. - You can finance up to 100 percent of the purchase price. - Homeowners can tap a home equity line of credit, which may be tax-deductible. - Interest rates can be fixed or variable, just like a home mortgage. - People with no credit or poor credit often can get loans, although interest rates tend to be higher. - Many late model used vehicles can qualify for the same financing rates and loan terms as new cars. Stretching payments is one of the most common ways to deal with rising sticker prices. "The preponderance of the new car loans are 60 to 72 months," said Tom Bourdage, vice president of product management for **U.S. Bank** of Oregon. Loans on late-model used vehicles typically stretch from 48 to 60 months.

- Lower payments

The extra length means the customer will pay more interest over the life of the loan. But the payment on \$20,000 borrowed at 9 percent is \$500 per month for 48 months. Stretched over 72 months, it drops to \$360. That's why "my average new auto loan goes out at just over 60 months," said Paul Hodge, vice president of financial services at Columbia Credit Union in Vancouver. Luckily, "cars are actually being made to last a little longer," he added, so the vehicle has a good chance of outliving its loan.

Another trend is for homeowners to bypass a traditional auto loan and tap their home equity. There are several advantages, explained **Rich Weissman**, a senior vice president at **Bank of America** Oregon.

First, repayment terms are much longer. Loans can run from 10 to 25 years. The interest rates are as low or lower than auto loans, "and by loaning against the home in many instances it's tax-deductible," Weissman notes. However, he suggests car buyers consult their tax adviser before sealing the deal.

There are two common ways to tap the equity. The first is to set up a line of credit. This works almost like a revolving credit card account. The interest rate varies, and there's a minimum monthly payment, but few other requirements. The second method is to set up a formal loan, which fixes the interest rate, monthly payment, and length of term.

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At least one local institution, Safeway NW Central Credit Union, offers a blended program. Called the Auto Equity Loan, it starts as a conventional auto loan with same-day approval. Later, after the required paperwork is done on your house, it can be converted to a home equity loan at no cost to the member, said Jim Milner, vice president of lending.

- Stable interest rates

A bit of good news for borrowers is that interest rates have remained relatively flat over the past few months. Loans for new or late model vehicles are at about 9 percent or less. Some credit unions are now offering variable interest rates. Multco Credit Union, for example, recently offered a 6.9-percent variable rate on all new vehicles and used vehicles as old as 1986 models.

Another trend carrying over from the mortgage industry is the concept of preapproval. "It's just like buying a house -- it's better to be preapproved before you go to buy," said Susan Thomas of First Interstate Bank of Oregon. Most financial institutions offer same-day approval, and some will even deliver the check to the dealer for you.

Several Portland-area credit unions have formed a service called Credit Union Loans. Today which grants loan approvals and quotes new and used vehicle values on weekday evenings and weekends, when offices are closed. Participants are Washington County Federal Credit Union, United Grocers NW F.C.U., and Clackamas F.C.U.

Shoppers, start your engines!

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